



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/19/2002

GAIN Report #MX2101

## Mexico

### Agricultural Situation

### Weekly Highlights & Hot Bites, Issue #23

2002

Approved by:

Lisa Anderson, Acting AGR Minister-Counselor

U.S. Embassy Mexico

Prepared by:

Lisa Anderson, Benjamin Juarez, Salvador Trejo and Eduardo Franco Lozano

---

#### Report Highlights:

**Mexican Supreme Court Rules Suspension of the 20-Percent Tax on HFCS Unconstitutional\*U.S. Fructose Importers May Be Locked Out of Mexico\*U.S. Reacts Negatively to Court Ruling On Fructose\*Mexico is World's Most Egg-Friendly Country\*Mexican Lawmakers Examining European Agriculture Finance Schemes\*Mexico's Pork Industry on the Warpath Again\*Mexico's Secretariat of Economy Alleges No Damage Being Done By A1 Restrictions**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

### **MEXICAN SUPREME COURT RULES SUSPENSION OF THE 20-PERCENT TAX ON HFCS-CONTAINING BEVERAGES UNCONSTITUTIONAL**

On July 12, 2002, Mexico's Supreme Court of Justice (SCJN) dealt a new setback to President Vicente Fox, when it voted unanimously in favor of a ruling that endorses the collection of a 20-percent duty on soft drinks and beverages that contain high fructose corn syrup (HFCS). This duty had been temporarily suspended by President Fox in March 2002. With this decision, the SCJN sides with the Lower House of Congress on the unconstitutionality of the executive branch's ability to suspend the tax. In December 2001, the Lower House approved a tax of 20-percent on soft drinks and beverages that contain HFCS (see MX2002). On March 5, 2002, however, the executive branch (through the Secretariat of Treasury) published in the *Diario Oficial* (Federal Register) the lifting of this 20 percent tax (see MX 2036). This was a temporary measure, to be in effect only from March 6 to September 30, 2002. The legislators contended that Fox's temporary repeal of this tax was unconstitutional and brought the case to the Supreme Court. The ruling against the fiscal exemption was unanimously agreed upon by all 11 Supreme Court justices. The duty will be imposed again starting from July 16, 2002, and will not be retroactive for those duties that were not collected from March 6, 2002 to July 15, 2002. (Source: *El Universal*, 7/12/02)

### **U.S. FRUCTOSE IMPORTERS MAY BE LOCKED OUT OF MEXICO**

With a tax on soft drinks made with high fructose corn syrup back in place as of Tuesday, July 15, 2002, U.S. producers are examining what measures can be taken to regain their share of the market. "U.S. corn refiners have lost access to the Mexican market, contrary to the terms of NAFTA," said Audrae Erickson, president of the U.S. Corn Refiners Association (CRA). "Our access should be restored through productive bilateral relations." On July 12, the Supreme Court reinstated the 20-percent tax and ruled President Vicente Fox had overstepped his authority in suspending the tax levied by Congress. After the tax was introduced in January, the demand for corn syrup evaporated. Even after Fox's March suspension, sales by U.S. companies or their subsidiaries in Mexico didn't recover, said Shannon Shoemith, representative of the CRA. Corn

---

Products International, Archer Daniels Midlands and A.E. Staley Manufacturing Co. are the

major exporters of corn syrup to Mexico, shipping 267,000 tons last year -- 3 percent of total U.S. shipments. The ruling is the latest development in a long standing sweetener row between the two nations. Earlier this year, the United States won a four-year battle to remove anti-dumping tariffs placed on corn syrup exports to Mexico. But since the reinstated tax is not directed toward imports, the United States may be unable to turn to NAFTA or World Trade Organization (WTO) panels over the fructose tax, as they did in the tariff dispute. (Source: *The News*, 7/16/02)

## **U.S. REACTS NEGATIVELY TO COURT RULING ON FRUCTOSE**

A spokesman for the U.S. Commerce Department said the United States was "very disappointed" with a Mexican Supreme Court ruling overturning a presidential decree that suspended a tax on the importation of fructose. "We are very disappointed by this decision that reestablished a protectionist and discriminatory tax on drinks sweetened with corn syrup that contains high concentrations of fructose," spokesman Rich Mills said. He added, the United States "appreciates the efforts" of the Vicente Fox government to suspend this tax, "and fulfill its international legal responsibilities," but, "we signal our strong concern over this ruling." Fructose is an artificial sweetener commonly found in soft drinks and canned juices. On July 12, 2002, the Supreme Court annulled a presidential decree that suspended a 20-percent tax on fructose importation passed by Congress in special sessions last December. In its ruling, the Court said Fox had overstepped his powers because the ability to define the tax laws and exemptions belongs exclusively to the legislature. The decision means the tax will be reinstated on July 16. Mills said the decision puts more pressure on Fox to end Mexico's "unjustified discrimination against fructose," and called on both countries to negotiate a solution to the long-standing dispute. But the Mexican government has maintained it's the United States who is at fault. Officials here argue that under the North American Free Trade Agreement (NAFTA), Mexico should be allowed to export all of its' 650,000-ton sugar surplus north of the border but that the United States unfairly limits that amount to 148,000 tons annually. This is not the first time an increasingly independent Supreme Court has axed a presidential decree since Fox ended 71 years of authoritarian rule by the Institutional Revolutionary Party (PRI) in December 2000. Justices previously ruled the president had overstepped his bounds when he allowed private electricity firms to sell more power to the state-run electric company and when he changed daylight savings time. (Source: *The News*, 7/15/02)

## **MEXICO IS WORLD'S MOST EGG-FRIENDLY COUNTRY**

Citing documents from the Mexican Association of Consumer Defense Studies (AMEDEC), a local newspaper reported that Mexicans consume an average of 20.3 kilograms (42 lbs.) of eggs a year, making the nation one of the most egg-friendly countries in the world. The low cost and versatility of eggs in the kitchen have apparently won over consumers, who spend between US\$1.6-2 million a year on them, the AMEDEC report said. Until about three years ago,

however, the egg was suffering a bad rap. It wasn't until then that University of Kansas researchers discovered the effects of eggs' unhealthy cholesterol are minimized by other proteins

the food also contains. The AMEDEC report also said egg freshness remains a high concern for Mexican consumers and warned them to throw out yolks that are not firm once eggshells are broken and to avoid sauces made with raw eggs. (Source: *The News*, 7/16/02)

### **MEXICAN LAWMAKERS EXAMINING EUROPEAN AGRICULTURE FINANCE SCHEMES**

According to a local newspaper, a group of lawmakers on Tuesday began a tour of three European Union (EU) countries, France, Holland and Italy, to examine agriculture finance schemes that could be used to support the farm sector in Mexico. The 10 legislators, including members of all of the three political parties, will meet with European state agriculture banks, farm cooperatives and producers. The information gathered will be used to shape new laws that will be made in the next parliamentary session in September. Producers will face difficulty in 2003 when tariffs on all food imports from the United States, with the exception of corn, sugar and milk, will be eliminated. Moreover in May, U.S. President George W. Bush signed a farm subsidy bill that will give an estimated US\$190 billion to U.S. farmers over the next 10 years. If this asymmetry is not ended soon, Mexico's farming sector will suffer gravely. (Source: *The News*, 6/26/02)

### **MEXICO'S PORK INDUSTRY ON THE WARPATH AGAIN**

According to a publication in a local newspaper, the Mexican Pork Council (CMP) claims that imports of pork and pork by-products under the auspices of the NAFTA are suffocating the development of the Mexican swine industry. The volume of imports of carcasses and hind quarters have grown in the past six years by 650 percent and a little more than 450 percent for pork by-products used in the manufacture of variety meats. Before, NAFTA imports of pork represented less than 5 percent, however, this figure has now surpassed 45 percent and continues growing largely impacting the trade balance together with other meat products. For this reason the Mexican Pork Council (CMP) and the National Pork Commission (CONAPOR) have petitioned the Mexican government to establish emergency safeguards against imports of pork. (Source: *El Financiero*, 5/23/02)

### **MEXICO'S SECRETARIAT OF ECONOMY (SE) ALLEGES NO DAMAGE BEING DONE BY AI RESTRICTIONS**

An employee of Mexico's Secretariat of Economy was quoted in *El Norte* as stating that the recent imposition of stringent restrictions on the importation of U.S. poultry and poultry products has not adversely affected U.S. exports to the Mexican market. The employee was quoted as saying that "SAGARPA's national campaign against AI in no way limits or hinders avian meat imports, especially chicken, but (simply) adds new requisites for it to enter Mexico." In reality,

however, the recently imposed and constantly changing import requirements have caused serious disruptions in the flow of U.S. poultry exports to the Mexican market, and thereby forcing consumers in Northern Mexico to pay up to double the price normally paid for poultry meat as

they must now buy national product. (Source: *El Norte*, 6/27/02, submitted by ATO/Monterrey)

**REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY**

<b>REPORT #</b>	<b>TITLE</b>	<b>DATE</b>
MX2093	Weekly Highlights & Hot Bites, Issue #22	7/5/2002
MX2098	Mexico's Monthly Crop Update, June 2002	7/8/2002
MX2099	Mexico Maintains 2000/2001 Reference Price for Imported U.S. Red and Golden Delicious Applies	7/11/2002

We are available at **<http://www.atomexico.gob.mx>** or visit our headquarter's home page at **<http://www.fas.usda.gov>** for a complete selection of FAS' worldwide agricultural reporting.

**FAS/MEXICO EMAIL**

To reach us at FAS/Mexico City, email us at:

**[AgMexico@fas.usda.gov](mailto:AgMexico@fas.usda.gov)** and/or **[ATOMexico@fas.usda.gov](mailto:ATOMexico@fas.usda.gov)**.